

MULTIMEDIA



UNIVERSITY

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BMR3134 – STRATEGIC MARKETING

(All sections / Groups)

27 OCTOBER 2018

9.00 a.m – 11.00 a.m

(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 6 pages with 4 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

ANSWER ALL QUESTIONS**MK RESTAURANT: BRANDING OF THAI-STYLE HOTSPOT**

The restaurant industry is one of the most competitive in Thailand. With a large number of players ranging from restaurants in five-star hotels, global fast-food chains to small stalls along the streets and everything in between, the Thais are spoiled for choice. In addition, as the world becomes globalized, consumers are familiar with international dishes and would not hesitate to try new offerings from the other side of the globe. As a result, all players in the industry have to constantly find ways to attract and retain consumers amid the intense competition and high threat of new entrants. In the midst of extreme competition, a Thai brand— MK Restaurant—is able to stand out among the players with the highest market share in the restaurant industry. From its humble beginnings in 1986, MK Restaurant Co. Ltd. has made itself a household name for Thai suki (Thai-style Hotpot) through innovation and continuous improvement.

INDUSTRY OVERVIEW

In 2010, the consumer foodservice industry in Thailand generated total sales of 666.5 billion baht with an expected compound annual growth rate (CAGR) of 2.4 percent in the next five years. The industry comprises several types of service provider including full-service restaurant, fast-food operators, home deliveries, and street stalls/kiosks. Sales at full-service restaurants contribute 23 percent of total value of the foodservice industry. Due to its fragmented characteristics, the majority of players garner less than 3 percent of market share while a few capture 5 percent to 7 percent of market share. One player, however, has a dominant position in the market with a share of 34 percent in 2010. The player is none other than MK Restaurant.

THE COMPANY

If one were to ask about the best place to eat hotpot (suki) in Thailand, the name that will come to many people's minds is MK Restaurant. Its high level of brand equity is reflected through several recognitions it has received over the years. For example, it was listed as one of the top 20 Top-of-Mind Thai brands in a research conducted by Young & Rubicam as well as named Thailand's Most Admired Restaurant in BrandAge magazine's survey of Thailand's Most Admired Brands in 2008.

HUMBLE BEGINNINGS

The first MK restaurant was initially opened as a full-service Thai restaurant in 1962 in Siam Square, Bangkok. Its founder was a Hong Kong Chinese, Makong King Yee, the inspiration for the restaurant's name. Soon afterwards, King Yee sold the business to her chef, Tongkam Mekto, in order to relocate to the United States with her family. Under the leadership of Mekto—or "Aunty Tongkam" as she was known to her customers—the restaurant grew in popularity due to her cooking ability as well as "Thai-style hospitality."

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In 1984, frequent diner Samrit Chirathivat—late founder of the Central Group, a Thai family-owned conglomerate—proposed opening an MK restaurant in his newly opened department store to Mekto. With this opportunity, MK restaurant branched out under the name "Green MK" in Central Plaza Ladprao.

A major turning point for the restaurant came in 1986 when Chirathivat offered Mekto another space for lease under two conditions. First, the space must be used to operate a suki restaurant. Second, gas stoves must not be used (cooking with gas was the norm in most restaurants). After much deliberation with her daughter and son-in-law, Yupin and Rit Thirakomen, respectively, the family joined forces and was determined to make the suki restaurant a success.

Rit Thirakomen, current managing director of MK Restaurant Co. Ltd. and a trained electrical engineer, spearheaded the search for a substitute for gas as the main cooking fuel. He experimented with several types of electric pot and found that the one with the highest output power was an imported 1,200-watt pot from Japan. Nonetheless, it took 10 minutes to boil water, much slower than the gas stove that was capable of bringing water to a boil in four to five minutes. Thirakomen came up with a simple yet effective solution: boiling soup at 70°C prior to serving. Then the electric pot would take only five minutes to bring the soup to a boil.

Armed with this newfound technique, the family established its first suki restaurant under the name MK Suki, which was later changed to MK Restaurant to reflect its wide range of offerings. Being the first suki restaurant to use the electric pot, MK Restaurant was known as a "safe" suki restaurant and was able to attract a high volume of diners within a short period of time. Despite the existence of several renowned suki restaurants such as Coca Suki and Canton Suki, MK Restaurant quickly surpassed its competitors.

RECIPE FOR SUCCESS

MK Restaurant's initial success was due to the use of the electric pot and its delicious dipping sauce. To sustain its position as a leader, however, is a much more difficult task. The recipe for success of the restaurant, according to Thirakomen, is the constant desire to exceed customer expectation. The foundation of MK's sustainable edge can be divided into three phases, which are discussed next.

Search for Solutions: QCQS

During the first seven years of its establishment, the focus of the business was on solving typical teething problems. The main problematic areas Thirakomen aimed to solve were reflected in its QCQS principle: Quickness, Cleanliness, Quality, and Service.

Quickness refers to the aim to improve speed of service. Although MK Restaurant is not a fast-food business, it is necessary to provide quick service as customers will get upset and leave the restaurant if the service is slow. Slow service was a problem that plagued the restaurant outlets in the early stage. Thirakomen found that the cause of this problem stemmed from the long process servers took to write down orders and relay them to the

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kitchen. Under this system, customer orders were greatly delayed during peak hours. As such, an order form was designed with food items listed in the same order as they were arranged in the kitchen. This sped up the overall process as servers could check off listed items ordered right away while the kitchen staff was able to spend less time in picking out orders. Furthermore, condo-inspired serving plates were designed to minimize time spent on plate arrangement and to free up dining table-top space.

Operating to the highest possible standard with emphasis on cleanliness, Thirakomen went beyond the norms practiced by other restaurants at the time. For instance, a color-coded wiping cloth system was put in place whereby guidelines were given with regard to how the cloth should be used and cleaned. Furthermore, he increased the number of cutting boards in each restaurant and ensured that each of them was cleaned and rinsed with boiling water after every use.

Quality of food, especially in terms of freshness, was another area he improved on. In its early stage, the restaurant faced inconsistency in the level of food freshness. Thirakomen identified two factors—refrigerator and "food chain"—as the main drive behind the level of food freshness. First, he turned his attention to the restaurant's refrigerators. At the time, most restaurants used refrigerators with a cooling coil system whereby cooling could be affected, resulting in inconsistent temperatures. Thirakomen replaced these with no-frost refrigerators and implemented the FIFO (first in, first out) method, meaning that foods were used in the order they were delivered to the restaurant.

Next, traveling time of food products between suppliers and customers was carefully analyzed. As suppliers delivered their products at midnight, the restaurant wasted a total of 14 hours, eight hours waiting for employees whose shift began at 8.00 a.m. and six hours in preparation, before the products could be stored in refrigerators. To solve this problem, Thirakomen moved the workers from the morning shift to the midnight shift so that the preparation process could start as soon as the supplies arrived. By morning, all products were delivered to each outlet ready to be served.

Service was another area in need of improvement. The initial problem faced by the restaurant was misdelivery of orders. In response to the problem, a training program was initiated along with efforts to tackle other mistakes made by servers. The QCQS principle is still in use today and forms the basis for further improvement. With the groundwork laid, MK grew slowly but steadily with the opening of 14 additional outlets.

Search for Structure: Global Standard

From 1994 to 2000, global standards were used as benchmarks for the restaurant's management leading to changes in the company's accounting system, logistics activities, and human resource management. Outsourcing was used in areas that MK Restaurant did not have expertise in, such as marketing research. Marketing research companies were

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employed to evaluate its service level. A structured training program and training institution were put in place. Additionally, Standard Operating Procedure (SOP) and balanced scorecard system were used to evaluate the performance of all outlets. Through this standardization, all employees could be moved freely from outlet to outlet while customers were assured of a consistent experience no matter which MK Restaurant outlet they visited. By the end of this stage in 2000, a total of 75 outlets of MK Restaurant had been established across the country. The large number of outlets allowed the company to achieve economies of scale resulting in cost reductions. The savings were passed on to customers.

MARKETING MIX

MK Restaurant's marketing mix has been one of the key drivers for its success over the last 25 years. Food at MK Restaurants outlets is primarily a mixture of Thai and Chinese cuisine. Up to 50 menus featuring a wide variety of fresh meats, noodles, and vegetables are available for customers to choose from. These items are then cooked in a clear stock boiled in an electric pot and eaten with a dipping sauce. Apart from the main menu of Thai-style suki, the restaurant is also renowned for other menus including roasted duck, roasted pork, rice, and dim sum that are available throughout the day. Its great customer service is also the restaurant's strong selling point. The staff welcomes diners with the legendary Thai hospitality and provides speedy and efficient services. Attention to food safety was the basis for its initial growth and food safety continues to be the main priority in all the outlets. The electric pots are constantly up-dated to make them easy and safe for people of all ages to use. Also, an earth leakage circuit breaker is installed under every table to prevent electric leakage. In addition, to make the place safe for children, tempered glass is used while rough edges are removed from tables and seats. The restaurant offers value-for-money food and services to its customers. Its ability to offer high-quality products at affordable prices stems mainly from bulk purchases. To serve more than three million customers a day, it orders several tons of food supplies daily. MK Restaurant outlets are scattered throughout Thailand. Most of them are located in departmental stores, major discount stores, and community malls as this enable the outlets to leverage their abilities to draw in traffic and the facilities such as parking spaces. The main promotional tool of MK restaurant are television commercials, as its target market covers a wide range of people. A new commercial is released every year that reflects each differentiating factor that makes MK Restaurant stands out from the crowd. The commercials included one that compared its staff's training process to military training, and another that featured a child reporter telling a story of how MK Restaurant wanted Thai kids to eat more vegetables. Then there was its award-winning commercial, portraying different groups of people—both young and old—singing a catchy jingle "What should we eat? Let's go to MK."

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BRANDING

Several expressions have been associated with MK Restaurant which further strengthen its brand image. Some of them are family, healthy food, and innovation. MK Restaurant brands itself as a family restaurant. Being a place where family members or groups of friends can enjoy the process of making and eating suki together is the inspiration behind its tagline "The moment of warmth." Thirakomen believes that MK Restaurant is more than just a restaurant; it is also a place that brings people closer together over a shared meal. MK Restaurant as a place for healthy food has been constantly emphasized through its television commercials as well as its menus. This further enhances its image as a family restaurant where everyone can enjoy good food. MK Restaurant is well known for continuously innovating to stay ahead of competition. From its beginnings as the first suki restaurant to use electric pots, the restaurant has come a long way. The restaurant has been a leader in bringing the latest technology and refreshing ideas to the industry. On the technology front, it was one of the first restaurants in Thailand to use PDAs (personal digital assistants) in order taking. Also, it recently announced that Thai-made robots will be used in its outlets to handle repetitive tasks as well as entertain customers. With regard to new ideas, the restaurant introduced "dancing sessions" developed from the morning exercise sessions for its staff. The staff dances to upbeat tunes in the restaurant every hour, and in so doing lights up the atmosphere and entertains customers of all ages. Aside from providing entertainment, the activity further enhances its image as a healthy restaurant.

CONCLUSION

From MK Restaurant's humble beginnings in 1962 as a small Thai restaurant, the company has grown from strength to strength. The relentless search for new ways to exceed customer expectations and a commitment to innovation have enabled the company to excel in its homeland as well as abroad. In 2010, the company achieved net sales of 14,218.8 billion baht and net profit of 1,421.8 billion baht.

Source : Kerin, Hartley, Rudelius, Geok, Marketing in Asia, McGraw Hill (2009)

QUESTION 1

- (a) Discuss the FIVE (5) different ways in which MK Restaurant can communicate with its target audiences?

(30 marks)

- (b) Explain FIVE (5) factors that will influence your promotional mix decision?

(20 marks)

(Total: 50 marks)

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QUESTION 2

Discuss the direct marketing tools MK Restaurant can use to reach out to its customers?

(Total: 20 marks)

QUESTION 3

(a) Define marketing objectives.

(2 marks)

(b) Identify FOUR (4) marketing objectives that MK Restaurant can set for the next few years?

(8 marks)

(Total: 10 marks)

QUESTION 4

Identify the functions performed by the marketing and distribution channels for restaurant industry.

(Total: 20 marks)

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